

Message Text

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PAGE 01 SANTO 03315 122117Z

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ACTION EB-11

INFO OCT-01 ARA-16 ISO-00 TRSE-00 L-03 CIAE-00 INR-11

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R 122030Z AUG 74

FM AMEMBASSY SANTO DOMINGO

TO SECSTATE WASHDC 1204

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E.O. 11652: N/A

TAGS: EFIN, DR, US

SUBJECT: SECRETARY'S INITIATIVE ON DOUBLE TAXATION TREATIES WITH
LATIN AMERICA

REF: STATE 162751

1. EMBASSY FINDS THAT THERE IS INTEREST, AT LEAST AT THE TECHNICAL LEVEL OF THE GODR, IN EXPLORING POSSIBILITIES OF NEGOTIATING A BILATERAL TAX TREATY. AT THE POLICY LEVEL, DOMINICAN DECISION MAKERS WOULD PROBABLY BE WILLING TO EXAMINE A TAX TREATY PROPOSAL BUT WE SUSPECT THAT THERE MIGHT BE SOME OPPOSITION FROM CERTAIN AREAS OF THE DOMINICAN PRIVATE SECTOR OVER TAX INFORMATION EXCHANGE PROVISIONS.

2. THE NATIONAL BUDGET OFFICE, TAX AUTHORITIES, THE CENTRAL BANK AND NATIONAL PLANNING OFFICE HAVE EXPRESSED A WILLINGNESS TO GIVE SERIOUS CONSIDERATION TO A BILATERAL TAX TREATY PROPOSAL. THEIR INTEREST SEEMS TO REVOLVE MORE AROUND THE QUESTION OF EXCHANGING TAX INFORMATION THAN ISSUES OF NON-DISCRIMINATION. IN THIS REGARD, THEY WOULD LIKE TO KNOW IF AN EXCHANGE OF INFORMATION WOULD PROVIDE THEM ACCESS TO TAX AND FINANCIAL DATA ON U.S. CITIZENS OR BUSINESSES OPERATING IN THE DR AND IF THE PROVISIONS OF SUCH A TREATY WOULD BE APPLICABLE TO PUERTO RICO (SINCE PUERTO RICANS DO NOT
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PAGE 02 SANTO 03315 122117Z

PAY U.S. FEDERAL TAXES).

3. DOMINICAN AUTHORITIES CONCERNED, OF COURSE, WOULD BE INTERESTED IN GAINING ACCESS TO INFO ABOUT BANK ACCOUNTS HELD BY DOMINICANS IN THE U.S. AND PUERTO RICO.

4. COMMENT: U.S. RESIDENTS, BUSINESSMEN, AND INVESTORS MAY FIND ADVANTAGES WITH A BILATERAL TAX TREATY, ESPECIALLY IF CURRENT DOMINICAN TAX ADMINISTRATION OR LAWS WERE MODIFIED. AT PRESENT, U.S. BUSINESSMEN ARE PERMITTED TO ENTER AND LEAVE THE DR ON TOURIST CARDS AND, THEREFORE, ARE NOT SUBJECT TO LOCAL TAX REPORTING REQUIREMENTS. HOWEVER, THIS PRIVILEGE COULD BE CHANGED ADMINISTRATIVELY AND IT WOULD BE ADVANTAGEOUS SHOULD TRAVELING BUSINESSMEN BE TAXED TO BE ABLE TO CLAIM CREDIT FOR FOREIGN TAXES PAID UNDER THESE CIRCUMSTANCES.

5. WHILE THERE IS APPARENTLY SOME INTEREST LOCALLY IN PURSUING THE QUESTION OF A BILATERAL TAX TREATY, THE DOMINICANS WOULD HAVE TO BE CONVINCED THAT THERE ARE SOME SIGNIFICANT ADVANTAGES FOR THEM. THE FOREGOING ARE TENTATIVE REACTIONS FROM GODR OFFICIALS WHO MAY OR MAY NOT BE IN OFFICE AFTER PRESIDENT BALAGUER IS RE-INAUGURATED AUGUST 16. IF THE DEPT DESIRES, WE CAN PURSUE THE MATTER TO OBTAIN A TRUER READING AFTER EXPECTED GOVERNMENTAL CHANGES ARE ANNOUNCED BY THE PRESIDENT.
HURWITCH

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